C5150-6

MS JEANNE LONG
00257/5C
HC
CONGRESSIONAL INFORMATIO ILP
4520 EAST-WEST HIGHWAY/STE 800
BETHESDA MD 20814

National Home Center News®

SECOND CLASS

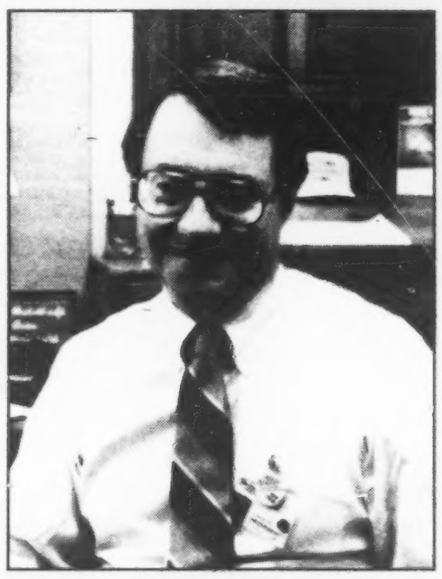
Vol. 15, No. 15 $3 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 17, 1989

Slowly, Dan Cotter takes reins of nation's largest co-op

By Gary S. Ruderman

CHICAGO — After 10 years at the helm of the nation's largest hardlines co-op, Dan Cotter is shaping Cotter & Co. in his own image.

The 54-year-old president and ceo of the $2 billion buying group has been overhauling Cotter's headquarters personnel. Dealer demands and slower sales growth in recent years also have moved Cotter to rework the buying group's advertising, its services to stores and, most important, the way it will conduct business in a more competitive environment.



Dan Cotter promises "a lot more changes" for his buying group. NHCN photo

"There will be a lot more changes coming," says Cotter during a recent interview with *NHCN*, although he provided no immediate elaboration.

Cotter's bigger challenge, though, in the months and years ahead will be to emerge from the shadow cast by John Cotter, his 84-year-old father who founded the co-op 40 years ago and has remained its dominant symbol to company employees and dealers alike.

Like a young hardware store owner who's trying to replace a father who had a personal relationship with every one of his customers, Dan Cotter faces more than simply rearranging the corporate furniture in trying to step in for his father and assume greater control of the organization.

Already there are the doubters—some vendors, dealers, former employees—who question whether Dan Cotter is capable of making anything more than cosmetic changes while his father, who remains the co-op's chairman, looms large over his shoulder. They also question whether newly promoted employees—who are still steeped in "The Cotter Way"—will be any different from the people they replace.

Cotter is aware of this criticism, but he waves it aside, insisting that the changes are being made with the blessing of his father, about whom he, too, speaks reverently.

(Continued on page 58)

Boise Cascade devises bar coding for studs

Shipment to HomeClub could spell new era for inventory management

By Brad Altman

FULLERTON, Calif. — When HomeClub receives a shipment of 69,000 board feet of premium-grade studs from Boise Cascade in early August, the home improvement industry will move one step closer to total computerized inventory management.

Universal Product Code (UPC) stickers will be attached to the end of each stud in that carload of lumber, which is scheduled to arrive in Los Angeles and then be distributed to HomeClub warehouse units on the West Coast.

The stickers will have been mechanically applied by automated equipment at Boise Cascade's sawmill in Elgin, Ore. When a store-level cashier waves a hand scanner over the tag, point-of-sale computers will read the code and automatically price the item.

Boise Cascade is a soldier in an army of wood products manufacturers that has been working on developing bar coding for lumber. Boise Cascade has apparently become the first to offer universal price coding on stud products, said Ward Hitchings, director of construction specifications and information services for the National Forest Products Association (NFPA), Washington.

Earlier last month, Hancock Lumber sent its first shipment of shelving products bearing UPC stickers through a wholesaler with its final destination being Pergament's stores on Long Island, N.Y. (*NHCN*, June 19).

The 55-unit HomeClub warehouse chain headquartered here is Boise Cascade's largest customer of premium studs and was chosen as the first retailer to get the bar-coded lumber because it now has scanning in all its stores.

The Home Depot and Builders Square are expected to tie into the bar-coded lumber program next, although any retailer may special order the product from Boise Cascade.

The Home Depot is now testing

(Continued on page 58)

New Builders Emporium head plucked from discount ranks

By an NHCN staff editor

IRVINE, Calif. — Wickes Cos. has again chosen a veteran of the discount store industry to become president and ceo of its Builders Emporium division headquartered here.

James T. McKitrick, 43, was scheduled to begin work at BE on July 10, only three days after his official departure date from 688-unit Ames Department Stores, Rocky Hill, Conn., where he was executive vp and chief administrative officer.

McKitrick replaces Jack Edwards, who resigned this past spring less than three years after his arrival. He also was from the discount industry, accepting the BE post from Rose's, a discount store chain in Henderson, N.C., where he was ceo.

Ted Kazleman, BE's executive vp who had been a candidate for the top job, had been act-

(Continued on page 60)

James T. McKitrick has been named by Wickes Cos. to head Builders Emporium.

Photo courtesy *Discount Store News*

New owner redirects Great Plains Supply toward contractor sales

By an NHCN staff editor

ST. PAUL, Minn. — A heavier emphasis on selling contractors and a major investment in revamping its operations are in the future for Great Plains Supply, the 34-store chain spread through the upper Midwest that was sold to a local investor last month.

Michael R. Wigley, who paid $12.5 million to buy the predominantly rural chain from Harvest States Cooperative, St. Paul, said he plans to hire 12 new outside salesmen.

"In most of the small, rural markets it's important to expand sales reach with outside sales," said Wigley, 35, a former management consultant from Plymouth, Minn., near St. Paul. By the end of June, the company had added four new outside salespeople.

Wigley said Great Plains, with 1988 sales of $40 million from its small yards and two truss plants, plans to spend $2.5 million this year to improve merchandising, systems, training and marketing.

He described his acquisition of the chain as highly leveraged.

Harvest States, which holds some of the new company's debt, is a grain cooperative. Great Plains was acquired with another operation in 1943. Company officials were unavailable for comment, but Wigley said the chain no longer fit with Harvest States' core business of buying, shipping and processing grain and was put on the sale block earlier this year.

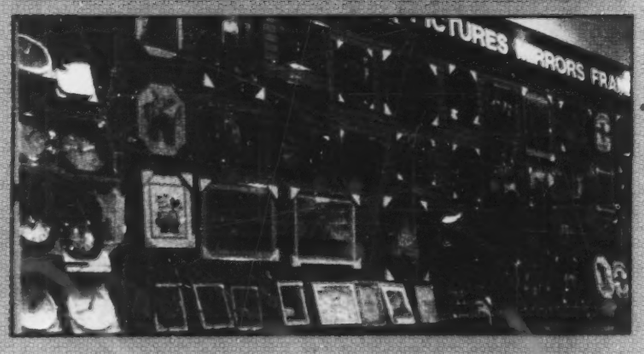
Although Wigley has no prior experience in the lumber business, he said he was attracted to the industry because it was a "basic business. There's consolidation going on right now and the right strategy has a good opportunity to win." Additionally, Wigley would consider further acquisition as the industry continues to consolidate.

(Continued on page 58)

PERSPECTIVES

Suppliers turn to consumers for new product ideas 17

BUYING & SELLING



Housewares increase home center presence 37

Handy Andy partner, Milwaukee chief dies

MILWAUKEE — Bruce G. Barter, a veteran of home improvement retailing for more than 25 years, died June 27, reportedly of a brain tumor. He was 61.

Bruce G. Barter with his wife, Marsha. NHCN photo

For the last four years, Barter had been chief operating officer and a partner of Handy Andy Home Improvement Centers' three-unit division here. "There wasn't a finer individual in this industry in terms of morals, style or class than Bruce," said Ron Rashkow, Handy Andy's chairman. "Another good person has left us."

Before joining Handy Andy in 1985, Barter had spent 23 years with the Kindt Corp., a retailer based in Lomira, Wis., which he was instrumental in building into an eight-unit operation as its executive vp. According to Rashkow, Barter was interested in purchasing Kindt until it was bought by Edward Hines Lumber.

Barter is survived by his mother, Irene; his sister, Janice Miritello; his wife, the former Marsha K. Russell; his daughters Karen and Gale O'Loughlin; and the latter daughter's children, Gwen and Timothy.

The family requests that memorial donations be sent to either the American Cancer Society or The Milwaukee Home Hospice.

INDUSTRY UPDATE

Moore's promotes two execs to vp

ROANOKE, Va. — Moore's, the 59-store division of Grossman's Inc., has promoted two executives to vice president positions.

Alan Koerner, 42, is now vp-general merchandise manager. Over the previous three years he was a senior buyer and senior merchandise manager and has also held merchandising positions at Montgomery Ward.

Robert Strong, 43, who joined Moore's in January 1988 as operations director, is now the company's vp-operations. Strong's retailing experience spans 20 years with such companies as Mr. HOW Warehouse, W.E. Walker and Gold Circle.

HomeClub to open 1st in Portland

PORTLAND, Ore. — Officials for HomeClub, the Fullerton, Calif.-based chain, said it would open its first warehouse in Oregon on July 27 and its second unit in Arizona on Aug. 3 , raising its chainwide store count to 56 units in 10 Western states.

The 103,000-square-foot Portland unit will be located at 1950 N.E. 122nd Avenue while the 100,000-square-foot outlet in Phoenix will be located at 3223 W. Indian School Road. Both stores have outside nurseries totaling nearly 10,000 square feet.

Ex Lloyd ceo moves to barter co.

NEW YORK — An executive who briefly ran Lloyd Home and Building Centers has re-emerged in the product bartering business.

Gerald J. Morgasen has recently been named executive vp of D&W Enterprises here, a diversified services, inventory liquidation and merchandising company that specializes in trading products and services without cash. Many of its clients are in the home improvement business.

Morgasen, 57, had been the ceo of Lloyd's, the Danbury, Conn.-based chain, from Dec. 13, 1988 through March 30. He left when Lloyd's parent, American Maize, decided not to sell the chain. His background also includes stints with Caldor and Korvettes.

At D&W, he will be responsible for the acquisition and sale of suppliers' and dealers' distressed merchandise, and, according to a prepared statement, "will research the possibility of a home center chain acquisition by D&W."

For editorial, advertising or subscription information call NHCN's *main offices at:*

212-371-9400

EDITORIAL: EXT. 229

SALES: EXT. 236

SUBSCRIPTION: EXT. 379 or 419

Available for calls 9-5:30 (E.S.T.)

California law firm to challenge written tests for job applicants

By Brad Altman

OAKLAND, Calif. — Written tests widely used by home centers and others to screen job applicants are about to be challenged as "an invasion of privacy" by a law firm based here.

Farnsworth, Saperstein & Seligman, which specializes in class action employment litigation, this month is planning to bring a suit against an unidentified retail chain that currently uses so-called paper-and-pencil psychological tests. Its officials declined to reveal who they are representing.

If this firm's efforts are successful, retailers in this state could lose one of their last instruments to systematically evaluate the attributes of a prospective applicant. There is also the fear that the elimination of such tests here could spread to other areas of the country.

The written honesty tests have grown in popularity since last December, when Congress enacted the Employee Polygraph Protection Act that bans lie-detector tests nationwide in most circumstances.

Attorney Brad Seligman said his firm believes that the written tests are degrading and violate a 26-year-old California law that gives employees a right to privacy.

"There is no evidence whatsoever that [written] psychological tests, which ask intrusive questions, buy you a more stable and honest work force," Seligman said.

That argument is supported

(Continued on page 58)

Court decision keeps Leonhardt Lumber afloat after Chapter 11

By Tim O'Malley

OKLAHOMA CITY — A Federal judge gave the go-ahead late last month for officials for the three-unit H.E. Leonhardt Lumber Co. to use sales and other cash to keep the 82-year-old company operational after its recent Chapter 11 bankruptcy filing.

"We're fully operational at the moment," said Steve Mattingly, Leonhardt's ceo. "Many vendors are calling for C.O.D., but some are still selling to us on open credit."

The court ruling also buys some time for company executives to seek out new capital from local lenders for short- and long-term loans, as well as allowing them an opportunity to enact cost-cutting measures that Mattingly says could include layoffs and merchandising changes.

Reeling from the economic crisis that continues to strangle this state, Leonhardt's filed for protection under Chapter 11 of the U.S. Bankruptcy Code in May after its primary lender, Liberty National Bank and Trust Company, told the retailer that it

(Continued on page 53)

Leonhardt's Big L Home Center located in Oklahoma City. NHCN photo

Hechinger slated to open first remodeled Bradlees units in fall

By Elizabeth Brent

LANDOVER, Md — Hechinger will reopen the first of the stores it purchased from Bradlees last year in late September or early October, according to a company spokesperson.

Pam Redfern, corporate secretary at the chain, wouldn't disclose how many stores will reopen initially, but stated that these remodeled units will be the first of 10 former Bradlees stores slated to reopen as Hechinger units in 1989. They are located primarily in the Washington-Baltimore area. A number of stores will open in rapid succession, but Redfern declined to give more details.

Also opening in early fall will be two larger former Bradlees in Durham, N.C., and Norfolk, Va., that are currently being converted to the format of Home Quarters Warehouse, Hechinger's warehouse chain subsidiary.

Hechinger originally purchased 47 Bradlees stores from its parent Stop & Shop for $118 million. It immediately exercised its option to sell back 14 stores in the Philadelphia market to the parent company, so in effect purchased 33 units for $83 million, a deal which was finalized in March 1989.

It has systematically sold off the leases to the Bradlees stores, which company officials believed were located too close to existing Hechinger units. By the end of the first quarter it had sold off 14 leases.

These included the sale of seven stores to K mart, with the proviso that they wouldn't be converted into Builders Square units. (K mart is that warehouse chain's parent company.) Negotiations are still underway with other companies to sell several other stores, according to Redfern.

She estimates that the final amount from the remarketing of all the units will be $30 million, bringing the net cost of the Bradlees purchase to $53 million.

INDEX

PERSPECTIVES: Manufacturers probe consumers' minds for feedback on new product ideas 17
Cover Story 18,19
Systems and Operations 22
Wholesalers 31

BUYING & SELLING: Housewares and storage products 37
Merchandising Digest: Cabinets, Vanities, Heating, Plumbing and Adhesives 45
Lumber Report 46
Advertising and Marketing 47,48
Ad Angles 49

BUSINESS WATCH 51

Editorial 14
Classified 54,57
Advertisers Index 60
Company Index 60

Insurers balk at payment for unsolved Strober death

By Elizabeth Brent

BROOKLYN, N.Y.— Seventeen months after the violent death of Eric Strober, former president and chief executive officer of the Strober Organization, the case is far from being settled.

The company executives who are beneficiaries are suing the two insurance companies for $40 million, which is earmarked to buy back Strober's 50.1 percent controlling interest of the company from his wife, Susan.

The 46-year-old Strober, who plunged to his death from a 22nd floor window on Jan. 26, 1988 in Manhattan, left behind insurance policies with both the Equitable Life Assurance Society of the U.S.A. and Mutual Benefit Life Insurance company (*NHCN*, Feb. 8 and 22, 1988).

These were written shortly after the company went public in 1986, but had a proviso that for the first two years his beneficiaries would be paid for any cause of death other than suicide. After that time any cause of death qualified.

The medical examiner has ruled Strober's death an apparent suicide and police investigators agree; consequently, the insurers are balking at payment.

Gary F. Kulick, president and ceo at Strober. NHCN photo

However, the beneficiaries state there is no evidence to support this verdict and are together suing the two insurance companies in the Brooklyn Supreme Court.

A long article in *The Wall Street Journal* last month again raised the specter that foul play may have been behind the death, although the article posed more questions than it answered, particularly concerning possible organized crime involvement.

"We don't know whether it's suicide, murder or what," Gary F. Kulick, president and chief executive officer of the Strober Organization and personal friend of the Strober family, told *NHCN*. "But the policy should be paid, as there is nothing to indicate he committed suicide."

Three different policies

At stake is the majority ownership of Strober Organization, whose 12 stores generated $145 million in sales last year. Strober, known as Rick to his friends, had run the company since 1962. The company's growth has been enhanced by its acquisition of General Building Supply, the three-store operation in East Hartford, Conn., in 1987.

(Continued on page 60)

AHMA ponders plan to boost smaller members' exporting

By Ken Schept

WASHINGTON — The American Hardware Manufacturers Association (AHMA) is investigating the establishment of a trading export company under its auspices.

The purpose of this entity would be to enhance the exporting ability of the association's small and medium size members by providing economies of scale.

This approach comes in response to U.S. hardware suppliers' growing interest in exporting, particularly to the European Community (EC).

The trading company plan was revealed during a conference called *Getting Ready for EC '92: Europe Without Borders*, which the AHMA sponsored last month at Georgetown University.

"The AHMA board has approved a three-year commitment of substantial funds to really get into the worldwide market," said association president Bill Farrell. A trading export company could be part of that program.

Exporting seen as challenge

Most of AHMA's members are companies with annual sales between $10 million and $100 million. Exporting, particularly to a changing Europe, is fraught with special challenges for companies of this size.

On Dec. 31, 1992, the 12 member countries of the EC are supposed to become a single market of 320 million people unified economically by regulations and product specifications.

However, for many hardware categories the new regulatory environment is still unclear. Small and medium size manufacturers find it difficult to gain information about proposed changes, let alone influence them.

There are many critical implications related to these changes, according to speakers at the conference:

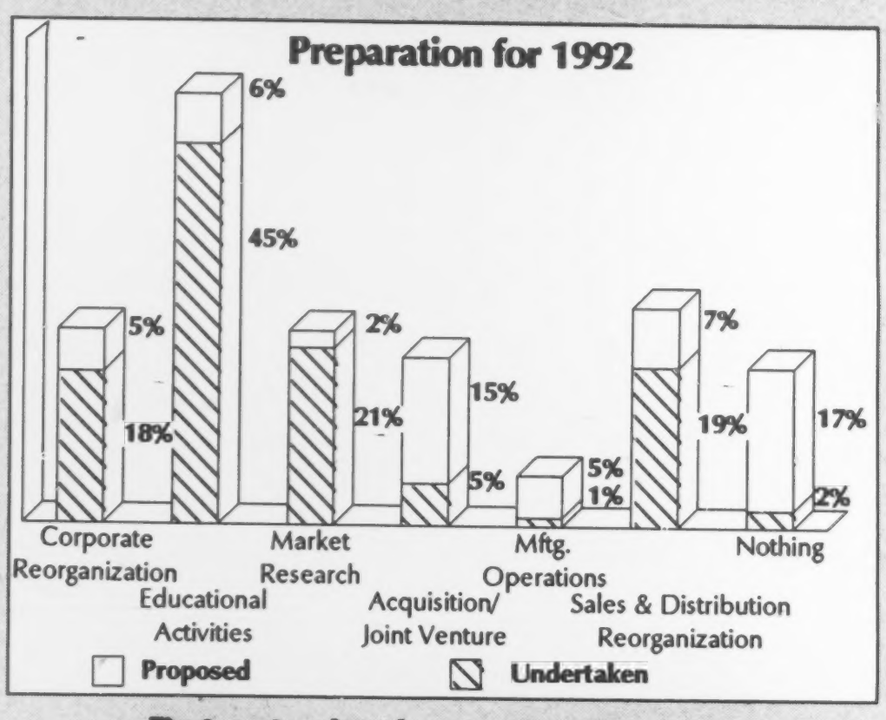
- Europeans may be extremely protective of consumer safety;
- It's unlikely restrictive "Fortress Europe" protections will be enacted; but
- European companies may get stronger because of the 1992 consolidation, and be able to compete better in the U.S.

Product safety concerns

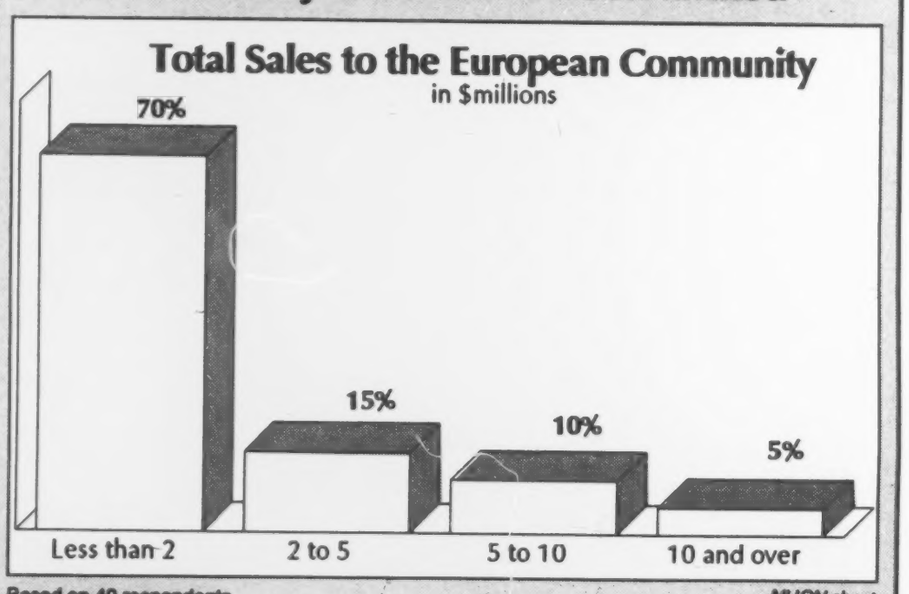
Europeans are extremely concerned that the risk of being hurt by a defective product may increase as consumers are exposed to merchandise made outside their own country, according to G. Marc Whitehead, an attorney with the Minneapolis firm of Popham, Haik, Schnobrich & Kaufman.

(Continued on page 60)

AHMA members attending the Georgetown conference have been preparing for 1992...



...But actual sales to the European community have so far been limited



Lumber 'summit' fails; log supply in jeopardy

By Gary S. Ruderman

PORTLAND, Ore. — A failed truce between environmentalists and forest products companies on the future of logging puts in jeopardy more jobs and lumber supplies in the fall and winter months.

A prospective shortage of larger logs, as a result of this breakdown, "will have a profound effect on [retail] prices," says Harry Johnson, lumber buyer for the 13-unit Lumbermen's division of Lanoga in Redmond, Wash.

Because the harvesting and sale of older, larger diameter trees remain subject to litigation, smaller and smaller trees must be cut, Johnson explains. Already prices are up significantly on larger dimensional pieces because smaller diameter trees yield fewer pieces of larger dimensional lumber.

Last month, a hastily arranged summit meeting convened here in an attempt to strike a compromise between the industry's need for more lumber and environmentalists' concerns over the Northwest's old-growth timber stands and the Northern spotted owl.

During this meeting, a coalition of lumber groups agreed to a billion board foot cutback in harvesting areas identified by environmentalists as habitats for the spotted owl. In exchange, environmentalists would have dropped lawsuits filed in federal court last year which effectively halted sales of 8 billion board feet in Northwest timber.

But the fractionalized coalition of environmentalists failed to reach a consensus on the pact, which was put forward June 27 by Oregon's Gov. Neil Goldschmidt and Oregon's U.S. congressional delegation. Through the first

(Continued on page 58)

Climate, building codes make Miami a prime area for retailers

By Tim O'Malley

MIAMI — The rioting and looting that overtook sections of this city last January may have reinforced the image of a town plagued by crime and racial divisiveness.

But in spite of that perception, Miami continues to flourish as a mecca for conventioneers, tourists and retailers.

"It's not as bad as the media portray it," said Osvaldo Vento Jr., who with his father owns Everglades Lumber and Building Co. in Miami. "Like anything else, it depends on what you choose to believe."

Believe that Miami is one of the most lucrative markets for the home center industry, which has heavily targeted it for a decade. Miami's retail hardware and building products sales—expected to top $639 million this year—rank it 28th among all U.S. cities, and higher than any other metro area in Florida, the country's third biggest home improvement market.

The payoffs for locating here can be many. A favorable year-round climate boosts such high-margin categories as lawn and garden. And Dade County's large Hispanic population (97 percent) is viewed as a plus since this ethnic group is believed by many to be among the most active in home improvement.

MIAMI AT A GLANCE

Population:	1,906,491
Per Capita Income:	$13,662
Total Retail Sales:	$15.9 bil.
Retail Lumber/Hardware Sales:	$639 mil.

Source: Editor & Publisher — NHCN chart

Miami also has some of the strictest building codes in the country, causing headaches for contractors but more business for retailers. Specially-treated wood and barrier-free doors are two products that sell higher here.

(Continued on page 52)

EDITORIAL

Warehouse format gains popularity

A few years ago, when warehouse stores seemed to be dropping from the sky like bombs during a blitzkrieg, the industry took shelter behind this palliative: there's plenty of room for everyone.

Ken Schept
NHCN Editor

It was a comfortable thought that lulled several chains into fatal passivity. Their particular formulas were becoming obsolete.

However, the basic premise that customers will respond to a variety of retail formats seemed indisputable—until now.

Judging from stores recently opened by two of the industry's most prescient players, Lowe's and Hechinger, it seems like doing what you do best may not be enough in certain markets, unless you do it with warehouse racks and stacks of merchandise.

Lowe's, in markets like Chattanooga, Tenn., and Asheville, N.C., and Hechinger in Syracuse have eschewed their traditional—and successful—approaches for more of a warehouse look.

It's interesting that two of the industry's most fastidious companies when it comes to housekeeping have adopted a format that's proved most successful in stores whose floors are about as clean as a movie theater's after a Saturday matinee.

Apparently, the customer has spoken—loudly. In larger markets where Harry and Harriet and their friends have an opportunity to shop in The Home Depot, they do.

Or, to be less absolute about something for which I have no corroborating scientific evidence, shoppers are at least seduced by the energy in the big stores.

Look at North Jersey. Local competitors are spending a fortune on television. The Home Depot hasn't spent a dime but its single store in the market is one of the chain's greatest producers with weekly volume reportedly at about $1 million.

I think I understand the appeal. I remember growing up in the early 1950s, well before air-conditioned malls and even discount stores, when relief on a humid summer evening might be a drive to a ramshackle collection of concessions under one roof called Frankie's Market, the original destination store.

Merchandising consisted mostly of schlock in cartons or spread across tables. Finding a bargain was great, but browsing was its own reward. Warehouse stores, like The Home Depot, maintain this bazaar-like atmosphere but substitute brand name and quality private-label merchandise for the schlock.

The stores can be difficult to shop because of the amount of merchandise in the aisles. And I'm always looking up to check that none of these quality products are about to fall on my head.

Still, I wonder whether the artistic signs and the relative restraint of the new Lowe's will stimulate shoppers to buy in the way the tumult at The Home Depot does.

I can't imagine ever walking through either a Hechinger or Lowe's and having visions of Frankie's Market. Yet cartons upon cartons still seem to be a customer's biggest turn on.

—Ken Schept

COMMENTARY

Distinctiveness lost in chains' ad wars

Over the past year, Rickel, Channel and Pergament have waged one of the most aggressive and expensive advertising wars I've seen in nearly 10 years of covering this industry. Pergament and Channel in particular have been all over the airwaves with their everyday-low-price message.

John Caulfield
NHCN Executive Editor

But in recent weeks, these companies have gotten a lot more specific—some might argue arcane—about the advantages they offer consumers.

A radio spot broadcast late last month had Channel Home Centers' spokesman, the actor Robert Lansing, telling listeners that the chain's low prices apply to all "23,426" of its stock-keeping units.

A photo of a smiling Bob Vila, the former "This Old House" host, beams up from a Rickel circular and "tells the truth about selection at home centers" by stating that Rickel's stores carry "over 22,000 items." (Rickel's overall sku count is actually 28,000, but that's neither here nor there for the moment.) The ad also informs consumers about its stores' new "Early Bird" 8 a.m opening hours.

Pergament's newspaper ads tell customers its stores stock "40,000 of America's most wanted home improvement and decorative products" as part of a point-by-point explanation of "What Makes Pergament Different From All Other Home Centers."

The chain's new services—installation, free delivery up to 20 miles away for purchases over $500, and the free use of tools for a DIY job—are also identified by the ad as reflecting Pergament's "unparalleled customer responsiveness."

What's more intriguing, to me at least, is the tidbit Pergament dropped into its ad stating that its stores have sold "over 60,000,000 gallons" of paint, manufactured by its Hoboken Paint subsidiary, during what I'm assuming is its whole 50-year history.

Do consumers really determine where they shop by this minutiae? It's obvious officials at these chains think so and believe it sets their companies apart. You'd have to be living in a cave not to have been exposed to at least some of these chains' ads, so they've certainly accomplished their goal of making consumers more aware of their stores.

The one question that's still unanswered, though, is whether these ads will distinguish these retailers from The Home Depot, which expects to have up to 75 stores in the Northeast over the next decade and has seen results from its initial openings in New Jersey and Connecticut that have stunned its own people.

Already, Home Depot's store in East Hanover, N.J., which has been open for about six months, is said by the company to be pumping out sales at an annualized rate that would place it among the chain's 15 highest-volume units.

Home Depot officials have also told securities analysts that the New Jersey unit and its North Haven, Conn., store are already making money, which is almost unheard of in this business.

What happens when Home Depot revs up its promotional machinery, especially when it opens enough stores in a market to justify the cost of advertising on television, where it has been very effective in other markets? And what happens if Hechinger, Builders Square and Mr. Goodbuys decide to join the fun in a bigger way?

If you thought southern California and southeastern Florida were "blood alleys," you ain't seen nothing yet.

—John Caulfield

National Home Center News®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Fax: 212 838-9487

Publisher **WYATT KASH**
Editor **KENNETH SCHEPT**
Executive Editor **John Caulfield**
Senior Editors **Brad Altman** (Los Angeles), **Gary S. Ruderman** (Chicago)
Associate Editors **Elizabeth Brent, Tim O'Malley**
Field Editor **Tom Bagsarian**
Correspondents **Kenneth Rankin** (Washington) with **Deane Evans**
Senior Desk Editor **Thomas Neven**
Desk Editors **John Paul Uva, Laura Realmuto**
Assistant Editor **Micki Nuding**
Art Director **Bob Brokman**
Circulation Director **Ken Turtoro**
Director of Manufacturing **Stan Kaufman**
Production Manager **Gwendolyn Terrell**
Director Classified **Andrew De Sarle**
Ad Manager Classified **Carole Harnoff**
NHCN National Sales Manager **JOHN E. HIRTH**
NHCN Eastern Area Manager **Tuck Sifers**
List Manager **Vicki White**

Group Publisher **James T. deGraffenreid**

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Publication Services **Barry Braverman**
Sr. VP/Group Publisher **James T. deGraffenreid**
VP/Administration **Harry A. Estes**
VP/Publisher **Jay Forbes**
VP/Finance **James Granato**
VP/Human Resources **Richard D. Groberg**
VP/Editorial Director **David Q. Mahler**
Sr. VP/Group Publisher **C. Reese Musgrave**
Treasurer **Barry Okun**

REGIONAL OFFICES
Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394 Fax: 617-969-3125
Regional Manager **James H. Malver**
Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420
Fax: 216-642-1457
Area Manager **Robert Bednar**
Office Manager **Martha MacVean**
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688 Fax: 312-644-3256
Senior Midwest Area Manager **Sid Hybert**
Area Manager **Mark Solak**
Senior Editor **Gary S. Ruderman**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321 Fax: 213-465-4287
Senior Editor **Brad Altman**
San Francisco 400 Montgomery St., San Francisco, CA 94104, 415-362-2575 Fax: 415-362-0319
Regional Manager **Richard J. Harrigan Jr.**
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895 Fax: 301-570-9090
Manager, Correspondent **Kenneth Rankin**
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

ABP BPA The Audit Bureau MPA

Publisher of National Home Center News, Discount Store News, Nation's Restaurant News, Drug Store News, Accounting Today, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Editorial Inquiries
Questions and comments regarding editorial material published in National Home Center News should be directed to the Editor, National Home Center News, 425 Park Ave., New York, NY 10022.

Subscriptions
Call (212) 371-9400, ext. 379 or 419
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, National Home Center News, 305 Madison Ave., Suite 535, New York, NY 10165-0079

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Wyatt Kash, publisher, Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022.

I'm giving Mother Nature one more chance to cooperate!

Buying & Selling

Section 3

Storage category thrives despite dealers' lack of installation services

By Brad Altman

NATIONAL REPORT — The 10-unit Dixieline chain in San Diego is one of many home improvement retailers with no plans to install closet or garage organizers for customers.

Buyer Victoria Rose notes there are "four or five" specialty stores in the market focusing on such custom work.

Yet, she says, "we're shocked at the amount of volume we do" in the storage category, especially garage-oriented organization products.

Specialty dealers that cater to this custom-built storage system market continue to grow rapidly (*NHCN*, March 13). But these companies are installing much higher-end products than are normally found in home centers, and are charging top dollar for professional installation.

Consequently, the lack of installation services doesn't appear to be affecting home centers' ability to cash in on the low- and mid-priced segment of storage sales.

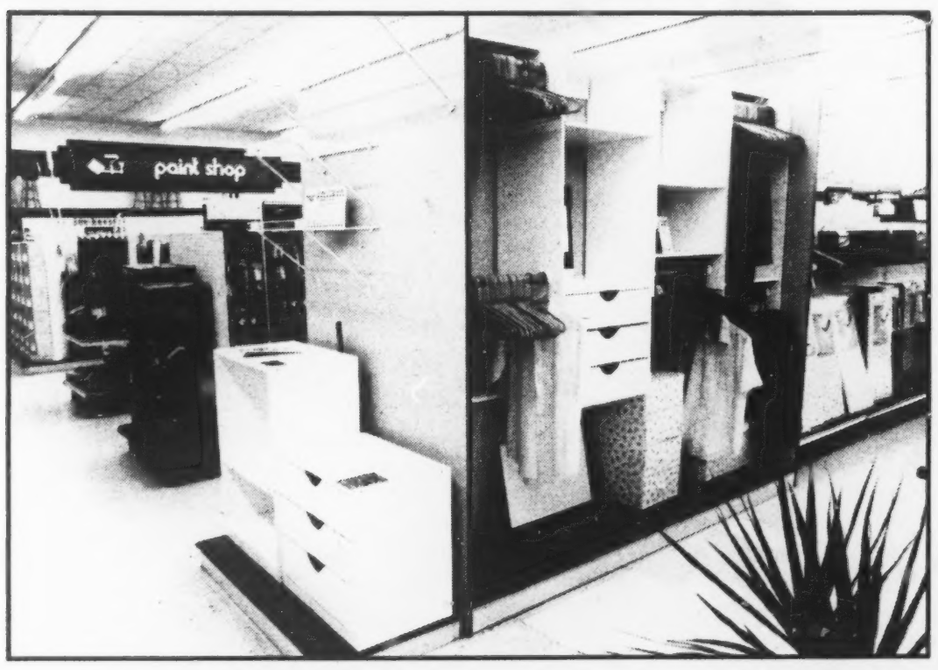
"The specialty stores have to rely on relatively heavy margins and higher-ticket sales. I don't see them as being a threat," says Brian Daly, vp of The Great Ace in Chicago, whose sentiments were echoed by other dealers.

Emerging category

Storage products are recognized as a growing industry segment by dealers around the country. Last year, Ernst Home & Nursery in Seattle opened five ExtraSpace specialty stores featuring home organization products. Handy Andy Home Improvement Centers, the Schaumburg, Ill.-based chain of 88 stores, has six home fashions/home improvement stores featuring its X-tra format which includes a Spaceplace organization department.

"Storage is one of our biggest growth areas," said buyer Phil Neiman at the 10-unit Lumber City in Van Nuys, Calif., where year-to-year sales volume in the category has increased between 10 percent and 15 percent. "It hasn't

(Continued on page 40)



Home centers are recognizing storage products as a lucrative category, spurred by lifestyle changes. Many believe they've only begun to penetrate this potential consumer market. NHCN photo

Clocks, picture frames, mirrors and wallpaper adorn "The Gallery," part of the housewares department at Pergament in Middle Village, N.Y. Other dealers, though, have trimmed these "gifty" items in favor of cleaning products and, in some cases, small appliances. NHCN photo

Consumers sustain retailers' stake in low-margin housewares

By Gary S. Ruderman

NATIONAL REPORT — Retailers selling housewares are carving out floor space for small appliances like toasters, mixers and irons, often at the expense of higher-margin "gifty" items whose margins are high but sales are slighter.

Small appliances continue to be "heavily footballed," said Scott Crichton, the housewares buyer for ACO Hardware, the Michigan-based chain. But dealers stock them because consumer demand is, he says, "universal."

"For several years, we told customers we didn't carry [small appliances]" and lost all sorts of sales, Crichton explained. ACO's solution is for its 74 stores to carry fewer than 10 stockkeeping units of appliances and not to promote them. The products are never advertised, and margins of 30 percent are maintained.

Dealers' attraction to small appliances corresponds with an increase in consumer demand for housewares in general, according to wholesalers and the National Housewares Manufacturers Association (NHMA).

Mobility sparks sales

The association attributes this trait to the frequency that people move. Population mobility studies from the U.S. Department of Commerce indicate about 17 percent of the U.S. population moved in 1988, more than any time since 1961, when the nationwide exodus to suburbia is said to have begun. Much of the recent rise results from the increase in single-parent households, according to the government.

Small appliances have been a beneficiary of this trend, according to John Heyerly, national housewares merchandise manager for Hardware Wholesalers, Inc. (HWI), the Ft. Wayne, Ind.-based co-op. "When they move, people find they need more housewares, especially cleaning supplies and

(Continued on page 38)

Product Preview:

Arrow to debut garage-sized storage unit

Arrow Group Industries, Inc., Pompton Plains, NJ has announced its garage-sized storage building, the Vinyl Murryhill. The steel building, coated with an abrasion-resistant and weather-protecting vinyl, will debut at the National Hardware Show, August 13-16 at booth #6774, McCormick Place North, upper level.

The storage building was developed as a solution for small businesses requiring extra storage space as well as for homeowners short on space. The buildings are available in four sizes—12' x 10', 12' x 17', 12' x 24' and 12' x 31'. All four buildings have an 8 ½-foot peak height. Retail prices start under $900.

Arrow-Vinyl, a vinyl plastisol coating nearly five times as thick as standard baked-on enamel finishes, is applied with a grained finish. The coating is applied over primer, providing metal protection.

For more information, write Arrow Group Industries, Dept. JSVM, P.O. Box 14, Haskell, NJ 07420, call (201)835-5500 or circle number 100 on the reader service card.

Index

Merchandising Digest 45
Lumber Report 46
Advertising and Marketing 47,48
Ad angles 49

in our next issue:
Selling Projects: The Great Backyard

Buying & Selling

merchandising

Home centers satisfy growing demand for housewares

(Continued from page 37)
basic housewares like small, tabletop appliances."

Mary Starek, merchandise manager for All American Home Center in Downey, Calif., sees 25-to-35 year olds—an age group with a high degree of mobility—as the prime target audience for small appliances and, especially, vacuums.

The big drawback with small appliances, though, has always been their profitability. Most bear well-known brand names that are stocked by all kinds of retailers as loss leaders with margins in the 10-15 percent range. Home centers are wont to compete with discounters on price in this category.

"[Our carrying appliances] is really a convenience for our customers," says Jenny Hess, housewares buyer for Hess Home Center in New Carlyle, Ohio, who nevertheless adds that they remain strong traffic draws for the female shopper.

Crichton at ACO believes the emergence of Black & Decker's household products line has helped attract men into the category as shoppers. "There are a lot of companies doing a lot more advertising but the Black & Decker name relates well to a hardware store and crosses over well to the male shopper."

As far as margins go, small appliances could realize a boost if, as Heyerly of HWI sees it, a trend towards better-quality, high-end products takes hold around the country. "The consumer is tired of buying a $9.99 item," Heyerly said. "Our mid-range table top appliances are moving more quickly than the low end."

That seems to go along with research from the NHMA. Communications director Kimberly Rawn says there has been an upscaling of the entire category because higher-end vendors like Braun (coffee makers) and other kitchen product makers target the home center markets.

Who Spends The Most on Housewares?

(Annual spending by age group)

Age	1988 Spending
under 25	$570
25 - 34	$997
35 - 44	$1,040
45 - 54	$1,200
55 - 64	$970

Source: National Housewares Manufacturers Association, U.S. Commerce Dept.
NHCN chart

Trimming other lines

While dealers are taking more chances with appliances, they are also taking a second look at their more "gifty" housewares offering, and some are seeing the need to trim it back.

The big drawback with small appliances, though, has always been their profitability.

Oak or wood desk accessories, brass animals, ceramic picture frames, silk flowers, clocks, and the variety of other gifty housewares have been strong sellers for many chains and independents.

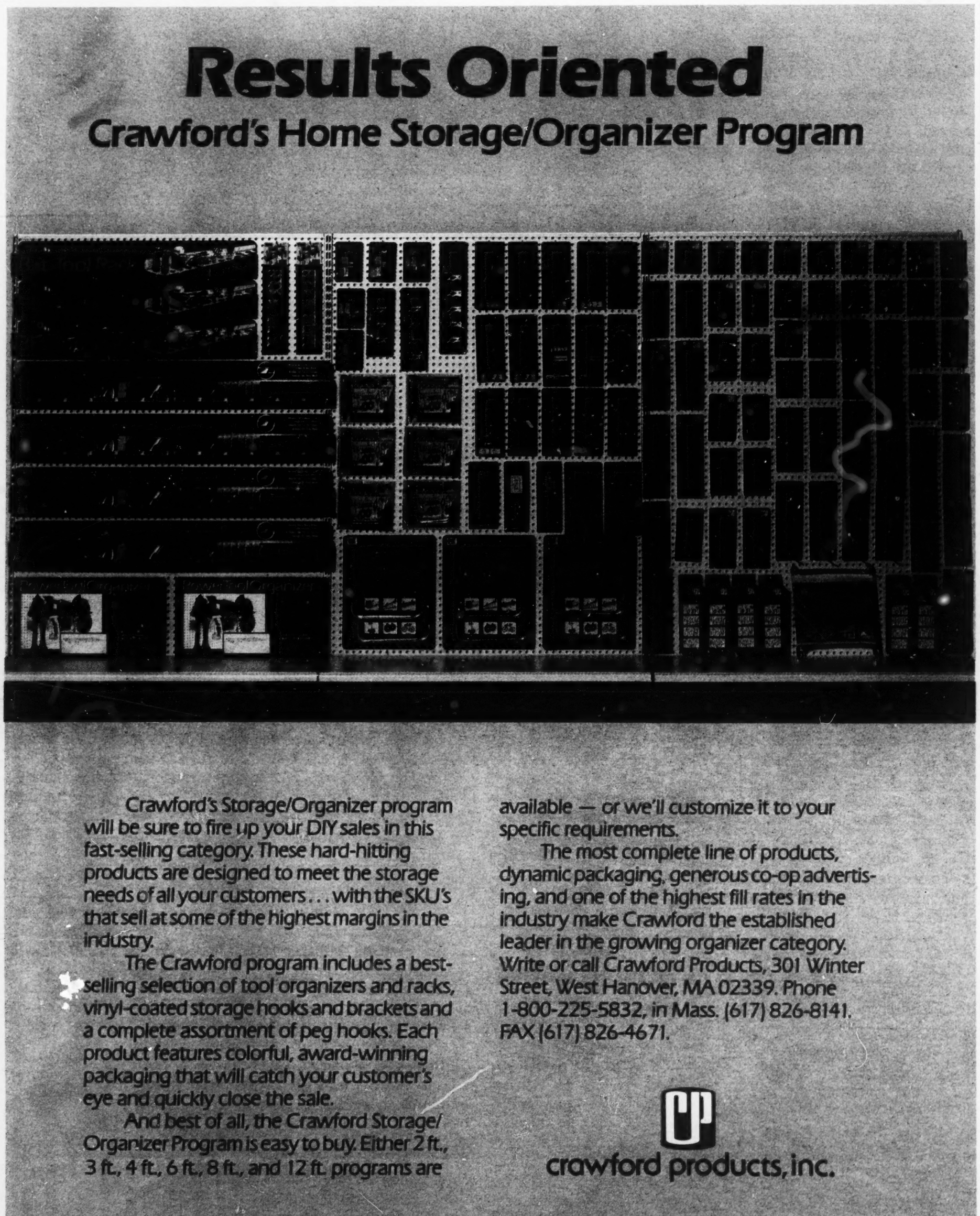
However, some dealers are "spacing out" these items to make room for a broader assortment of cleaning products, garbage bags, brooms, dust bins, plastic hangers and other "staple" items.

Overall, consumer fickleness towards decorative or fashion-oriented housewares has made the gift segment of the category more difficult to merchandise at a time when dealers are looking to reduce product assortments in the category in general, and want products to sell themselves.

"It takes someone full time to keep on top of the [category's] fashion changes," said Marian Rice, housewares buyer for the 55-unit Westlake Hardware in Lenexa, Kan.

Thirty percent of the shelf space at Trevarrow Do-it Center in Troy, Mich., is devoted to housewares. And while fashion items like rugs and decorative baskets sell well, the store is giving more real estate to products with greater year-round sales potential.

Christine Walters, housewares buyer, notes that June rains in the area caused a run on mops. When hot weather returned, patio table place settings sales flourished.



Crawford's Storage/Organizer program will be sure to fire up your DIY sales in this fast-selling category. These hard-hitting products are designed to meet the storage needs of all your customers . . . with the SKU's that sell at some of the highest margins in the industry.

The Crawford program includes a best-selling selection of tool organizers and racks, vinyl-coated storage hooks and brackets and a complete assortment of peg hooks. Each product features colorful, award-winning packaging that will catch your customer's eye and quickly close the sale.

And best of all, the Crawford Storage/Organizer Program is easy to buy. Either 2 ft., 3 ft., 4 ft., 6 ft., 8 ft., and 12 ft. programs are available — or we'll customize it to your specific requirements.

The most complete line of products, dynamic packaging, generous co-op advertising, and one of the highest fill rates in the industry make Crawford the established leader in the growing organizer category. Write or call Crawford Products, 301 Winter Street, West Hanover, MA 02339. Phone 1-800-225-5832, in Mass. (617) 826-8141. FAX (617) 826-4671.

crawford products, inc.

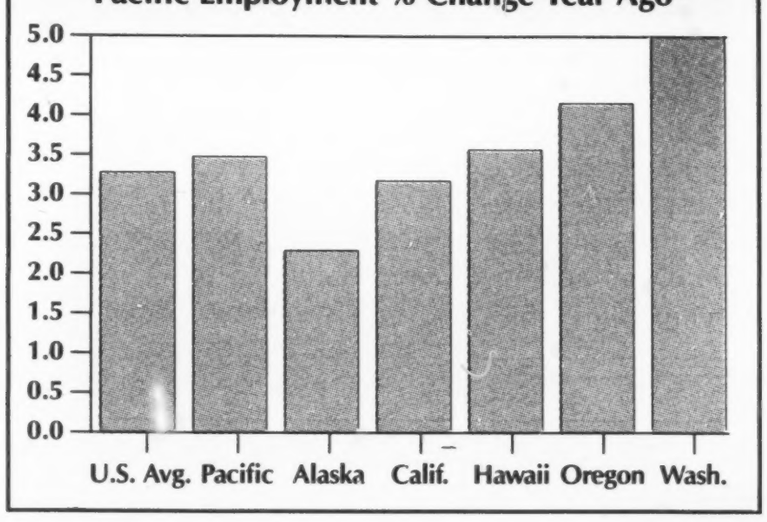
"See us at the National Hardware Show Booth #260."

Circle 25 on Reader Service Card

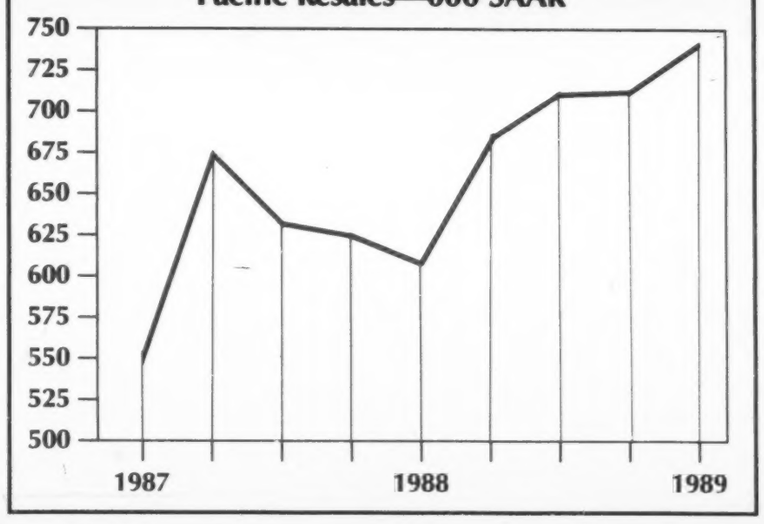
Business Watch

Section 4

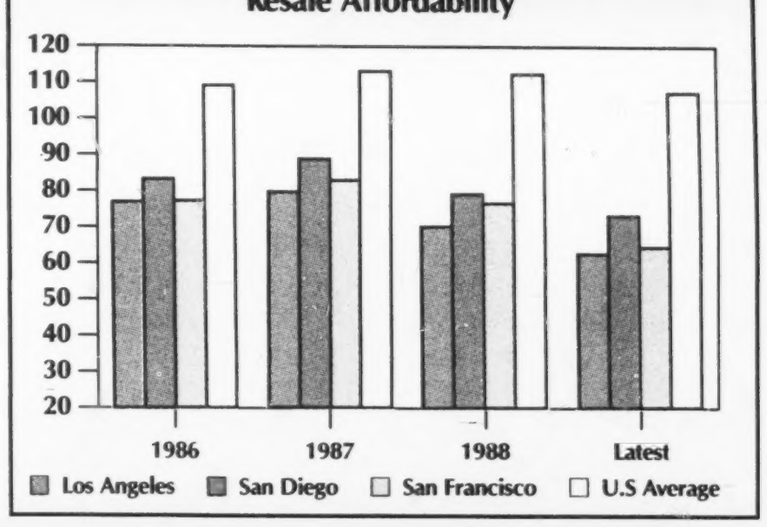
While employment is strong . . .



. . . and resales improve . . .



. . . affordability problems grow.



The Pacific region is expected to show top sales gain this year

By Richard E. Mount

The Pacific region enjoyed rapid gains in employment, resales and building material sales through the first quarter of 1989, but these gains should weaken as the year progresses.

Because of this strength in the first quarter, the Pacific states will show the largest gain in building material sales for the year, in spite of the probable decline in sales through year-end.

Building material sales in the Pacific states are expected to increase 7.9 percent this year, higher than the 5.2 percent national average. Adjusted for expected price increases, the regional gain will be 3.7 percent.

Richard E. Mount

The strongest gains in employment are taking place in the Pacific Northwest, where an improvement in exports is boosting local economies. Washington State is experiencing the most rapid employment increases, up 5 percent from last year. Manufacturing is advancing at a 5.4 percent pace and services by 6.1 percent.

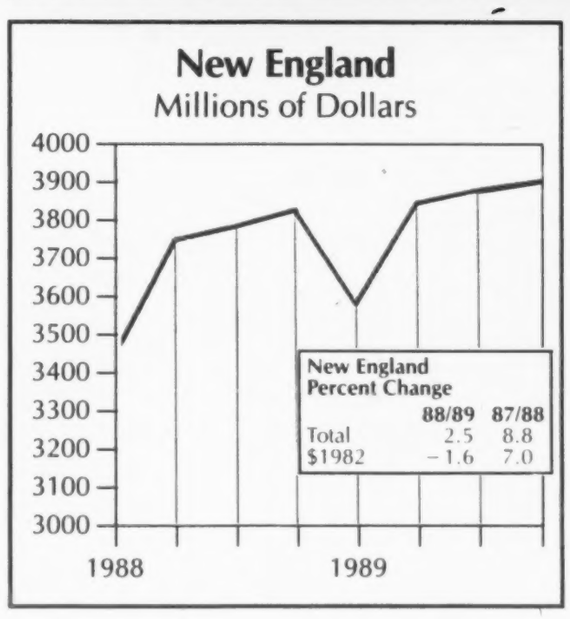
But the dollar has been increasing, and reducing the competitive edge of domestic firms. As U.S. housing starts stay soft and exports decline from their currently lofty levels, the Northwest will be pinched.

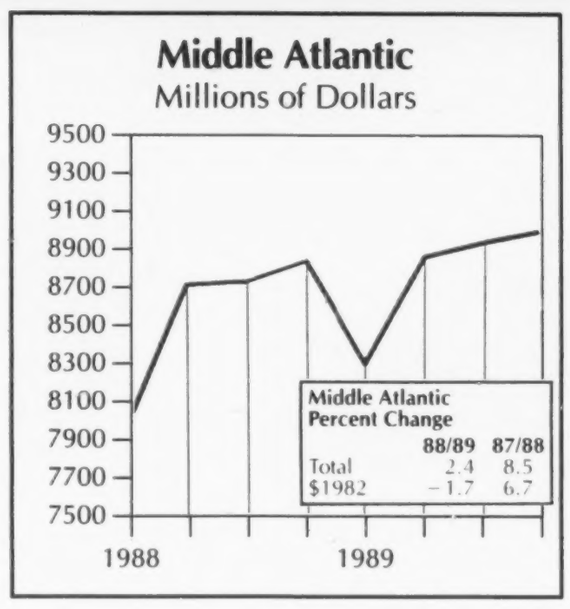
The California economy is slowing from its recent rapid pace. Employment is now up only 3.2 percent from a year ago, just below the 3.3 percent national average. Construction is up 6.3 percent and services 4 percent. Resales continue to rise at a healthy pace, the latest quarter being up 22 percent from a year ago.

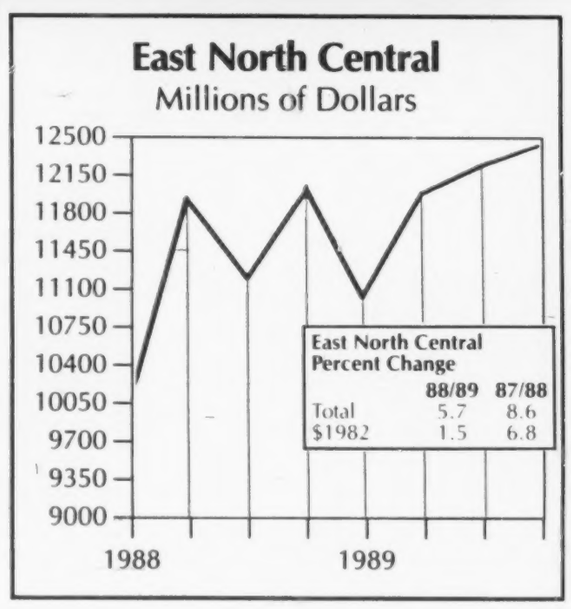
For retailers in the Pacific states, sales should ease from their current heady levels, but the possible softening this year and next will be very modest, with 1989 still being another record year.

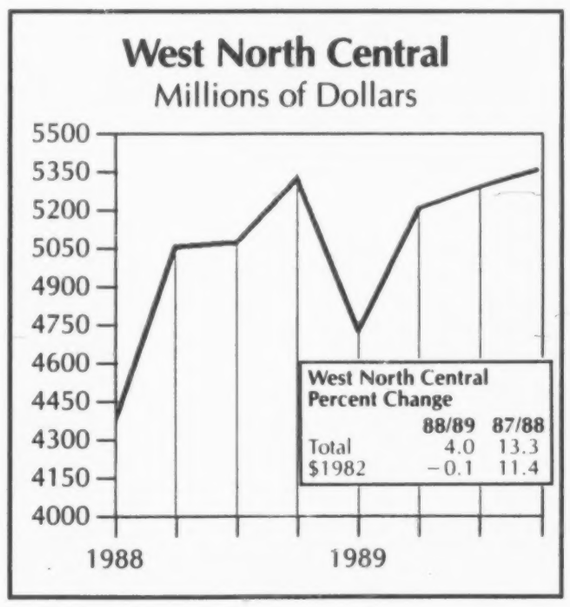
Richard Mount is president and chief economist with Mount Economic Consulting.

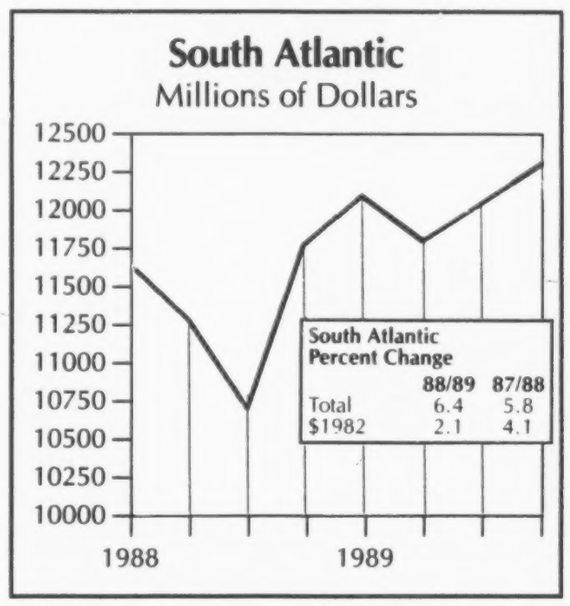
Regional Outlook: Building Material Sales

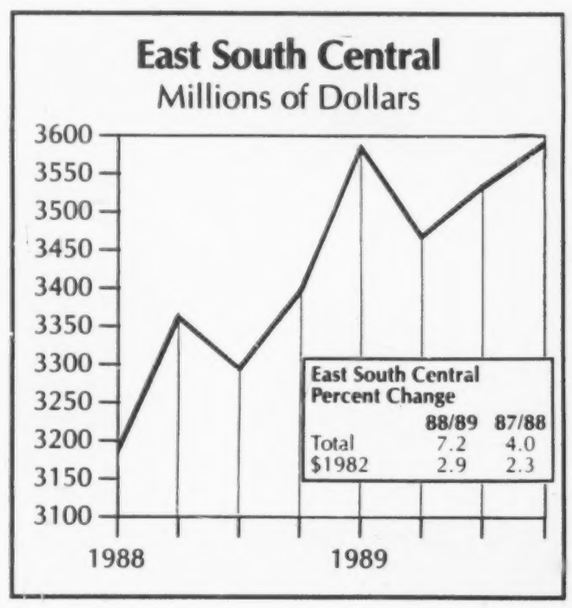


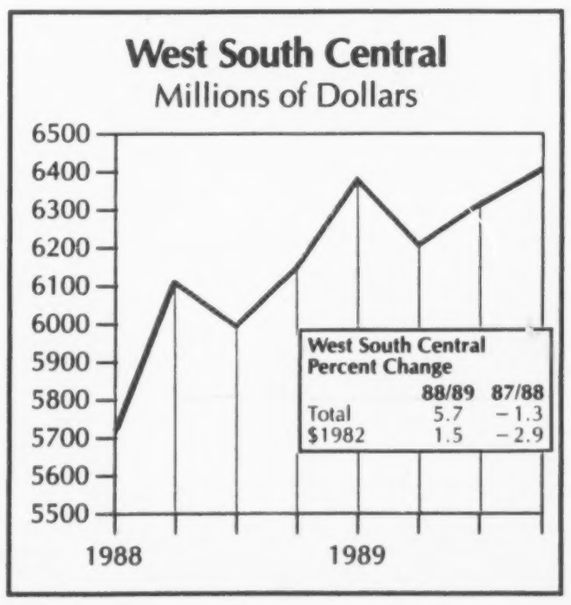


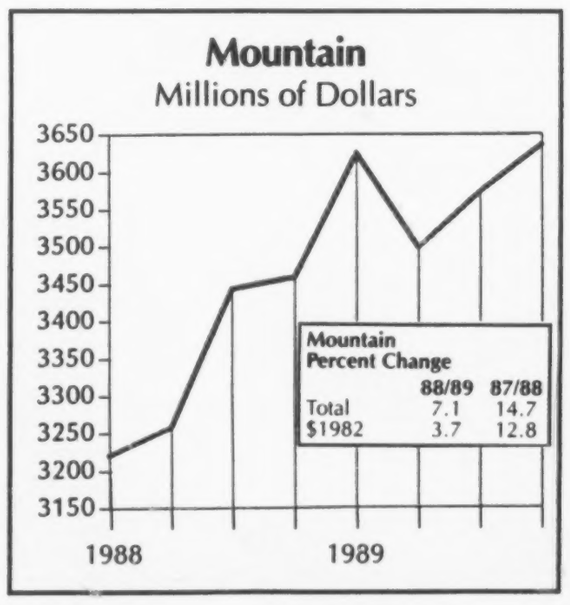


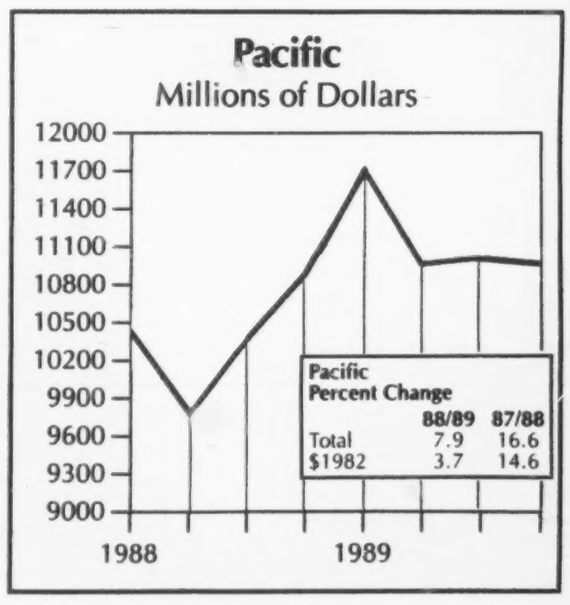












Data: Dept. of Commerce
Bureau of Labor Statistics
National Association of Realtors
Dept. of Housing and Urban Development

The Home Center Industry Outlook runs in two parts, one each month. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material and supply store sales.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart

AHMA responds to suppliers' interest in exporting

(Continued from page 6)

As a result, Whitehead expects tough product liability laws to be put into place. He noted a new strict directive aimed at machinery manufacturing that says, in part, that the product must:

" . . . eliminate any risk of accident throughout the foreseeable lifetime of the machinery, including the phases of assembly and dismantling even where risks of accident arise from foreseeable abnormal situations."

But the prospect of a Fortress Europe that protects itself from incursions by foreign products is unlikely, according to Robert Z. Lawrence, senior fellow at the Brookings Institution.

"Fears of major new barriers are exaggerated, basically because we have too many hostages," he said, noting that the U.S. and Europe already have major interests in each other's markets.

Barriers may be a problem, though, for small companies because the multinational organizations that already serve Europe will try to erect them, said Geoffrey Lewis, a visiting professor at the Darden Graduate School of Business, University of Virginia.

The European environment after 1992 will result in a business shakeout, said Lawrence. Europe will become a more attractive place to produce and therefore the continent's exports may rise.

"If you don't meet them there, they'll take you on here," said Lewis about European firms.

More study than activity

For some small manufacturers, the one-day conference provided important insight into how to meet the competition overseas.

"When I came here I wasn't sure if I needed a plant in Europe," said Vaughn Williams, president of Vapor Products, a mildew preventative manufacturer based in Orlando.

"Now I feel I need a presence. I need to get rolling on a distributor and get my product on the shelf."

A plant must eventually follow, he feels, because European production may be the way around any potential barriers.

A poll of attendees revealed that almost half have undertaken educational programs related to Europe 1992 and about a quarter have conducted related market research.

The level of actual exports to Europe was low, however: 70 percent of the companies reported that their exports to Europe totaled less than $2 million a year.

As the AHMA increases its efforts to facilitate exporting, one of its next acts will be to obtain an export trade certificate, according to association counsel Shelly London.

This document would allow member companies to cooperate in ways that otherwise might violate antitrust statutes, he said.

Strober execs sue insurers for payment

(Continued from page 6)

There were three different policies insuring Strober's life: one for $20 million held by his business partners who had shares in the company prior to it going public; and policies worth $15 million and $5 million, respectively, held by the corporation. Of these, $35 million are underwritten by Equitable and $5 million by Mutual, according to Kulick.

The company was insured for $17 million prior to going public through Equitable exclusively.

The agreement the company had with Strober's wife to use the insurance money to buy out her husband's stock at its pre-death value was similar to agreements signed with 14 other executives.

"All of us had the same agreements," said Kulick. "If something happens to me, my partners would buy out my shares from my wife with the insurance money."

A trial date had not been set as of July 5, since the insurance companies are still taking depositions from business parties and personal friends.

"We filed for payment under policy in February 1988 and it is now June 1989 and they [the insurance companies] have requested two more years to talk to people," said Kulick.

New Builders Emporium executive chosen from discount store ranks

(Continued from page 1)

ing president since Edwards' departure.

Wickes' co-chairman and ceo James R. Birle said he has high regard for McKitrick's retail talents, asserting that his "outstanding track record" will help the 119-unit, $675 million chain "realize its full potential."

BE had been on the selling block until late May when Wickes decided outside offers had been insufficient and it would keep the chain (*NHCN*, June 19), which Birle called a valuable asset.

McKitrick's most recent assignment at Ames was as chairman of Zayre Stores, a 392-unit discount chain acquired by Ames in October 1988 and briefly headed by current HomeClub chairman Herb Zarkin.

Since 1987 McKitrick had been president and coo of Ames' G.C. Murphy division, a mix of variety stores and Murphy Marts which has been subsequently converted to the Ames name and format.

His background includes a one-year stint in 1987 as president of Warehouse Club, Skokie, Ill., and nearly two decades at K mart.

National Home Center News (ISSN 0192-6772) is published biweekly, 25 times a year, every other Monday, monthly in December, beginning with the third Monday in January; by Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022. Subscriptions are available at no charge to qualified retailers and wholesalers of lumber and building supplies and hardware. Paid subscriptions are available to nonqualifying retailers and wholesalers, and to manufacturers and others at $69 per year in the U.S.; $79 per year to Canada; $219 per year to all other countries (air mail only). Group subscriptions available in the U.S. (1-4 copies, $69; 5-19 copies, $64; 20 or more copies, $59). Single rate copy is $3 except last two May issues, first June issue (Annual Census Issues) $20 each, $48 for all three.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 15, No. 15, Copyright© 1989 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 15, No. 15 July 17, 1989

Index of Companies in This Issue

Ace Hardware 58
ACO Hardware 37,38
A.K. Gibbon Lumber 53
Albright Steel 53
All American Home Center 38
Allied Building Stores 53
Amarillo Hardware 53
American Door of Michigan 53
American Maize 5
Anderson Lumber 58
Arcotronics 42
Arrow Group Industries 37
Babbitt Brothers 48,50
Black & Decker 19,38,42
Blish-Mize 53
Blue Circle 53
Boise Cascade 1,58
Bolinger Lumber and Supply 31
Bondex International 45
Bradlees 5
Brewster's 45
Builders Emporium 1,6,19,58,60
Builders Square 1,5,14,49,52
Caldor 5
California Hardware 47
Chamberlain Group 42
Channel 14
Clairann International 40
Conway True Value 22
Cotter & Co. 1,58
Court Plaza Management 53
DAP 45,53
D.B. Smith 18
Dbdeline Lumber 37,49
Douglasville Ace Hardware 22
Dynapert 42
Eckroat Seed 53
Emhart 42
Ernst Home & Nursery 37
Everglades Lumber and Building Co. 6
Fleishel Lumber 53
Forest Lumber 48
Gardner Millwork 11
Gator Doors 52
General Building Products 40
General Building Supply 6
Glidden 11
Goecel Corp. 45
Great Ace 37,40
Great Plains Supply 1
Grossmen's 5,45
Hancock Lumber 1
Handy Andy 5,37,45
Hardware Wholesalers Inc. 31,37,38,52,58
H.E. Leonhardt Lumber 5,53
Hechinger 5,14,45,49
Henderson & Baird 31
Hess Home Center 38
Hirsh Co. 40
Hitachi Ltd. 42
Home Depot 1,14,52
Home Quarters Warehouse 5
HomeClub 1,5,58,60
Hunter Fan Co. 45
Hurst Supply Co. 53
Huttig Sash & Door 53
ICI American Holdings 11
K mart 5,60
Knape & Vogt 18
Lanoga 6
Liberty Distributors 58
Lindsley Home Centers 52
Lloyd Home and Building Centers 5
Lone Star Hardware 52
Lowe's 14
Lumber City 37
Lumbermen's 6,58
Mecklenburg Duncan 45,53
Maine Hardware 11
MaineLine Distributors 11
Mallory Capacitors 42
Marble Falls True Value 22
Menards 45
Moore's 5,49
Mr. Goodbuys 14
Murphy Marts 60
North Pacific International Paper Co. 53
Ohio Mattress Co. 42
Owens-Corning Fiberglas 18
Pay 'N Pak 11
Pergament 1,14,37
Poulan/Weedeater 42
Ray Albright 53
Rickel 14
Riviera Cabinet 45
Rose's 1
Scotty's 52
Sears 18,42
Sentry Group 19
Sentry Hardware 31,58
Sequoia Supply 53
ServiStar 47,48,52,58
Sheridan Lumber and Supply Co. 31
Sherwin-Williams 11
Skil Corp. 19
South States Inc. 31
Stanley Hardware 18
Strober Organization 6
SuperSod 19
Tampico Asphalt Products 53
T.H. Rogers Lumber 53
Thompson & Formby 19
Timbermart 40
Trevarrow Do-It Center 38
Triad Systems Corp. 22
Tuxis Lumber 22
USG Corp. 45
Vapor Products 60
Vento Enterprises 52
Vermont-American 42
Wagner Spray Tech 18
Warehouse Club 60
Waxman Industries 8,45
Westlake Hardware 38,52
Weyerhaeuser 53
Wickes Cos. 1,60
Zayre Stores 60

Advertisers Index

Ace Hardware 41
American Tool Cos. 27-30
Andersen Corporation 24,25
Belwood USA 40
Bertch Cabinet Mfg. 36
Butler/Design House 8
Cole Sewell 8
Corona Clipper 32,33
Crawford Products 36
Croft Metal 23
Diamond F 42
Dutch Boy 16
Furman Lumber 50
Georgia-Pacific 20,21
Glidden Co. 8
GTE Sylvania 50
Handy Store Fixtures 11
Hunter Fan 61
ICL 39
Innovative Controls 45-49
International Window 59
Keystone Franklin 50
Knauf Fiber Glass 42
Laminations, Inc. 31
Lane Publications 60
Larson Manufacturing 42
Louisiana-Pacific 12,13
Macco Adhesives 22
Manville Building Materials 43,44
Merillat Industries 26
National Hardware Show 41
National Store Fixtures 8
Owens-Corning 34,35
Remington 31
Royal Rubber 11
Schlage Lock 42
Steel City Corp. 8
Sunny Wood Products 62
The Radon Project 52
United Steel Products 50
Universal-Rundle 50
USG Interiors 42
Vegedes Industries 50
W.W. Henry 7
Waxman Industries 7
Weiser Lock 15
Weyerhaeuser Wood 2,3,4

This index has been compiled for the convenience of our advertisers and readers. While every precaution is taken to prevent mistakes, the publishers cannot be held responsible for errors or omissions.

Sunset
BOOKS & VIDEO

When your customers know how, they will buy the tools and the materials *you* sell!

Lane Publishing Co., 80 Willow Rd, Menlo Park, CA 94025-3691
800/227-7346, In California, 800/321-0372

Circle 46 on Reader Service Card